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Frederick W. Fisher

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Heavy CCC Stocks of Butter Major Dairy Problem

The Dairy Situation, Economic Research Service, USDA, August 1962

Large CCC purchases of butter and nonfat dry milk so far in 1962 make it difficult to dispose of CCC stocks. Disposal of butter is complicated by the large quantities of vegetable oils in CCC hands and already programmed for foreign disposal. Vegetable oils and butter are ready substitutes for each other in foreign donation programs. Since the stocks of vegetable oil have moved more slowly than expected, the heavy stocks of butter now available for foreign donation may be difficult to move.

Efforts to move CCC stocks of butter are taking several forms: (1) In the first 6 months of 1962, domestic donations, under Section 416 for welfare, to institutions, and to the school lunch program were increased by 17 percent over a year earlier. Schools took 13 percent more than a year earlier. This change tends to be about proportionate to the increase in the number of children under school lunch programs. The largest increases in domestic distributions were for welfare and institutions. These uses absorbed 22 percent more butter in the first half of 1962 than in the same period of 1961. Total butter distributed to domestic channels by USDA was 83 million pounds in January-June compared with 71

million pounds in the first half of 1961.

(2) Butter is being processed into butteroil (anhydrous milkfat) for foreign donation. This product is more acceptable than butter in South-east Asia and the Near East. Moreover, it can be shipped without refrigeration. In an effort to open frozen storage space in production areas, CCC has asked for bids for converting 100 million pounds of its butter to butteroil. Through August 27, contracts were made covering 77 million pounds of butter. Butteroil can be stored at about 35 degrees Fahrenheit, while butter held over long periods must be stored at -10 to -20 degrees Fahrenheit. Utilization of CCC-owned butter will be facilitated by conversion to butteroil, which at this time can be moved into foreign channels more readily than butter. The butteroil will be shipped overseas as specific distribution programs are developed.

(3) Starting in mid-1962, emphasis in foreign disposal shifted from vegetable fats to butter. Next year, substantial amounts of butter should be moving from CCC inventories into foreign channels.

Even with these additional efforts, the present large CCC accum-
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GAIN IN MILK PRODUCTION PER COW SLOWS IN 1962

The Dairy Situation, Economic Research Service
USDA, August 1962

Average annual milk production per cow in the United States has been moving upward since 1934. The average rate of increase from 1934 to 1952 was 75 pounds per year. Since 1952, milk production per cow has increased more rapidly, at an average rate of about 200 pounds per year. In 1961, milk production increased 211 pounds per cow. Assuming that June milk cow numbers are close to the average for the year, as is usually the case, and that total milk production for 1962 is about 126.5 billion pounds, this year the gain in milk production per cow will be less than 150 pounds compared with 200-pound 10-year average.

Certain circumstances from April to July 1962 favored a slackening in the rate of increase: (1) Since April 1, milk prices have been lower than last year. Nationally, the drop in price supports in April resulted in lower prices for manufacturing milk than a year earlier and, to a lesser extent, for milk sold for fluid uses. In addition, prices of milk sold to fluid milk dealers declined from April to June, as a result of the excess of receipts over Class I sales in fluid markets. These declines caused the price of all wholesale milk for April through July to be from 15 to 17 cents below a year earlier.

(2) The milk-feed price ratio fell
(Continued on Page Four)



Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	\$4.61
Producers' Uniform Price (4%)	4.985
Class I (3.5%)	4.43
Class II (3.5%)	4.028
Class III (3.5%)	3.695
Class IV (3.5%)	3.022
Producer Butterfat Differential for each one-tenth percent	7.5¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	83.4
Percent of Producer Butterfat in Class I	82.8
Percent of Producer Milk in Class II	7.5
Percent of Producer Butterfat in Class II	2.1
Percent of Producer Milk in Class III	3.1
Percent of Producer Butterfat in Class III	4.6
Percent of Producer Milk in Class IV	6.0
Percent of Producer Butterfat in Class IV	10.5

PRODUCTION SUMMARY

Total Pounds of Producer Milk Delivered	31,068,029
Average Daily Class I Producer Milk	863,411
Total Number of Producers	1,350
Average Daily Production per Producer	767
Average Butterfat Test	3.65
Total Value of Producers Milk at Test	\$1,362,850.05
Income per Producer (7 day average)	\$235.55

GROSS CLASS USE (Pounds)

Class I Skim	24,965,367
Class I Butterfat	936,952
Class I Milk	24,902,319
Class II Skim	2,367,705
Class II Butterfat	24,089
Class II Milk	2,391,794

AVERAGE DAILY SALES (Quarts)

Milk	292,074
Buttermilk	4,589
Chocolate	16,822
Skim	10,668
Cream	8,390

Sept. 1962	August 1962	Sept. 1961
\$4.61	\$4.18	\$4.86
4.985	4.55	5.255
4.43	4.34	4.684
4.028	3.956	4.284
3.695	3.65	3.926
3.022	2.998	3.253
7.5¢	7.4¢	7.9¢
83.4	78.7	83.0
82.8	79.2	83.7
7.5	8.3	8.9
2.1	2.2	2.6
3.1	5.4	3.8
4.6	7.6	5.8
6.0	7.6	4.3
10.5	11.0	7.9
31,068,029	30,341,877	27,490,420
863,411	770,402	760,303
1,350	1,308	1,229
767	748	746
3.65	3.54	3.58
\$1,362,850.05	\$1,271,314.70	\$1,266,428.46
\$235.55	\$219.47	\$240.44
24,965,367	23,030,681	21,988,066
936,952	851,791	823,863
24,902,319	23,882,472	22,811,929
2,367,705	2,592,717	2,515,175
24,089	24,065	25,575
2,391,794	2,616,782	2,540,750
292,074	274,545	302,372
4,589	6,482	5,556
16,822	12,809	17,744
10,668	10,252	12,496
8,390	8,172	8,558

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



Sept. 1953 - '62

Year	Receipts from Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1953.....	20,419,562	3.89	80.1	15.8	4.1	—	4.52	4.649	4.249	3.474	—	2,234	305
1954.....	21,316,057	3.82	79.5	8.1	7.2	5.2	4.30	4.456	4.056	4.056	3.181	2,166	328
1955.....	21,917,159	3.77	82.0	8.9	7.0	2.1	4.48	4.55	4.15	4.15	3.195	2,089	350
1956.....	23,259,478	3.75	80.7	8.9	6.1	4.3	4.43	4.528	4.128	4.128	3.252	2,042	380
1957.....	23,118,767	3.73	86.0	7.2	3.5	3.3	4.54	4.648	4.248	4.148	3.146	1,885	409
1958.....	22,663,422	3.71	87.8	8.8	1.0	2.4	4.41	4.472	4.072	3.972	2.968	1,768	427
1959.....	24,655,540	3.65	92.2	5.7	.8	1.3	4.88	4.584	4.184	3.866	3.167	1,732	475
1960.....	26,321,725	3.63	85.7	8.6	2.1	3.6	4.77	4.556	4.156	3.851	3.097	1,611	545
1961.....	27,490,420	3.58	83.0	8.9	3.8	4.3	4.86	4.684	4.284	3.926	3.253	1,229	746
1962	31,068,029	3.65	83.4	7.5	3.1	6.0	4.61	4.43	4.028	3.695	3.022	1,350	767

Year to Year Decline in Milk Cow Numbers to Continue

The Dairy Situation, Economic Research Service USDA, August 1962

There were 17,270,000 milk cows in the United States on June 1. This is a decline of only 125,000 from June 1, 1961, but is 4.7 million below the June 1, 1950 figure. Milk cow numbers declined 0.7 percent between June 1, 1961 and June 1, 1962, compared with a 0.9 percent decline a year earlier and an average annual decline of 1.9 percent since 1952.

Over the past 25 years, the June 1 estimate of milk cow numbers has been closely related to the average number of milk cows for the year. The difference over these years between the June number and the year's average has been less than 1/2 of 1 percent. Indications, therefore, are that the average number of milk cows in '62 will be around 17.2 million.

Of the two components of total milk production — milk cow numbers and production per cow — milk cow

numbers showed a consistent decline, averaging about 2 percent annually from 1944 to 1960. In 1961 and thus far in 1962, the decline has been small, less than 1 percent. Indications from Census data and information from other sources are that the decreases in cow numbers is occurring largely because fewer farmers are keeping milk cows than formerly. The number of herds with more than 30 milk cows has been increasing, and apparently the number of cows within herds of larger size has increased. Therefore, the small rate of decline during the past two years probably partially reflects changes in production technology that favor large dairy herds.

Among the more important causes of the downtrend in milk cow numbers have been the price of milk in relation to prices of alternative farm

products such as beef cattle and hogs; the price of milk in relation to production costs, particularly the costs of feed and wage rates; and economic opportunities off the farm.

In the first half of 1962, two factors — unfavorable weather and lower price supports — which accompanied large drops in cow numbers in earlier years were present. But judging by the June estimate of milk cows, these factors appear to have had surprisingly little affect on cow numbers. Heavier culling in January-June than in these months a year ago in Southern and North Atlantic States was offset by a low culling rate in the North Central States and by a relatively large number of heifers 1-2 years old in dairy areas this year. As they freshen, these heifers are replacing culled cows in dairy herds.

STOCKS OF MANUFACTURED DAIRY PRODUCTS RISE

The Dairy Situation, Economic Research Service, USDA, August 1962

Total stocks of manufactured dairy products were 14.4 billion pounds of milk equivalent at the end of June. This is 4.6 billion pounds above a year earlier and more than 3 times as much as the 1947-49 average for the month. Stocks increased 1.4 billion pounds during June, less than the 1.9 billion-pound increase a year earlier. In July, however, butter and cheese stocks increased more than in July 1961.

Commercial stocks rose from 5.0 billion pounds of milk equivalent in May to 5.4 billion in June. At the end of June, they were well below the 6.5 billion pounds a year earlier but about at the 1959-60 level. Compared with a year earlier, July commercial butter stocks were down 42 percent; total cheese stocks were 9 percent lower. On June 30, stocks of evaporated milk were 29 percent below a year earlier; condensed milk

stocks were down 49 percent, while dry whole milk stocks increased from 7.2 million pounds to 7.7 million pounds.

From May to July, Government stocks of butter increased about 21 million pounds over a year earlier, from 338.6 million pounds in May to 414.9 million pounds in July. Cheese stocks in Government hands rose to 103.4 million pounds at the end of July.

GAIN IN MILK PRODUCTION

(Continued from Page One)

in the second quarter of 1962 to 1.29 from a 1.46 average in the first quarter. This ratio is the number of pounds of feed that can be bought with a pound of milk. A high ratio encouraged heavy grain-feeding and thereby tends to increase milk production. Conversely, a low milk-feed ratio makes heavy grain-feeding less advantageous. The milk-feed price ratio had been relatively high for several years, averaging 1.43 for 1959-61, and gradually rising. The decline in the second quarter undoubtedly had some effect on the rate of feeding dairy cows.

The result of this second quarter fall in the milk-feed price ratio on rate of grain feeding was somewhat offset by dry weather. This weather seriously damaged early pastures in parts of the Southeast and South Central regions, and later pastures in the North Atlantic and, to a lesser extent, East North Central States. During the recent quarter, the relatively poor pasture conditions led to a greater increase in grain feeding in the affected areas this year than last. Basically, however, the decline in milk production per cow, as well as in total milk production, appears to have been caused by relatively poor pasture conditions from May through August in the North Atlantic States and much of the South.

HEAVY CCC STOCKS . . .

(Continued from Front Page)

ulations of butter may increase next year, if production is maintained at its present level or increases.

CCC purchases of American cheese in 1962 may be around 175 million pounds. While this is the largest quantity acquired since 1957, it poses no great disposal problem. About 130 million pounds are expected to be taken by USDA for domestic distribution programs. In addition, CCC has programmed 40 million pounds for donation overseas.

Deliveries of nonfat dry milk to USDA, which have increased yearly since 1955, reached a record 1,275 million pounds in the marketing year which ended March 30, 1962. Domestic distribution of CCC stocks in-

creased every year except in 1960, since 1953. In 1961, domestic distribution was 197 million pounds. This year it is expected to grow to about 220 million pounds. The major portion — 85 to 90 percent — is being used for welfare or institutions, with the remaining 10 to 15 percent going for school lunch programs. Foreign disposal in 1962 is estimated at around 900 million pounds. About 200 million pounds of this will be commercial and noncommercial sales for dollars and foreign currency, or sales for barter; about 50 million pounds will be exported under AID programs, and about 650 million probably will be donated. In past years, disposal of nonfat dry milk generally has kept pace with amounts acquired by CCC.

Market Quotations

SEPTEMBER
1962

MINNESOTA - WISCONSIN PRICE SERIES	\$3.06
MIDWEST CONDENSERIES 3.5% per Cwt.	2.907
4 CONDENSERIES (Tri-State) 3.5% per Cwt.	2.75
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.072
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Tri-State)	2.97
Average Weekly Cheddars price per lb.	.3331
Average price per lb. 92-score butter at Chicago	.5828
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant.	.1340

THE

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